



Report 10.562
Date 20 September 2010
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Committee Council
Author Chris Gray, Finance Manager

Financial report for the two months ending 31 August 2010

1. Purpose

To inform the Council of Greater Wellington's (GWRC) financial performance for the two months ended 31 August 2010 and to provide an explanation of major variances to budget by Group.

2. Consideration by Committee

The matters raised in this report were considered by the Finance, Audit and Risk Committee at its meeting on 21 September (Report 10.511 refers). The recommendations contained in this report have been endorsed by the Committee for the Council's consideration and decision.

3. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

4. Background

Financial statements are prepared and presented to management for review each month. A detailed report is given to the Council each quarter. In the intervening months, reports to the Council are done by exception.

The results of the WRC Holdings Group are reported to the Council on a quarterly basis.

The Funding Impact Statement and Balance Sheet for GWRC are attached (refer **Attachments 1 and 2**).

5. Financial Performance

5.1 Year to date

GWRC achieved an operating surplus of \$882,000 (budget \$1,000) for the two months. This result excludes grants to fund public transport capital expenditure and revaluations. Including these amounts, GWRC had a net deficit of \$292,000 (budget, a deficit of \$1,995,000).

Further details on the performance for the two months are discussed below.

5.2 Forecast to 30 June 2011

The forecast is unchanged from the budget.

5.3 Financial Summary - Council

Greater Wellington Regional Council Summary income statement	For the two months ended 31 August 2010			
	Last Year	Actual	Budget	Variance
	\$000s	\$000s	\$000s	\$000s
Regional rates	13,182	13,483	13,482	1
Water supply levy	3,910	3,910	3,910	-
Other operating revenue	13,056	13,187	13,275	(88)
Total operating revenue	30,148	30,580	30,667	(87)
Operational expenditure	(28,555)	(29,698)	(30,666)	968
Operating surplus/(deficit) before transport improvements	1,593	882	1	881
Operating (deficit) from transport improvements	(1,020)	(798)	(1,875)	1,077
Operating surplus/(deficit) before unrealised items	573	84	(1,874)	1,958
Non-operational movements	(206)	(376)	(121)	(255)
Operating surplus/(deficit)	367	(292)	(1,995)	1,703

Greater Wellington Regional Council		For the two months ended 31 August 2010			
Summary income statement		Last Year	Actual	Budget	Variance
		\$(000)'s	\$(000)'s	\$(000)'s	\$(000)'s
Operational Groups					
Catchment Management		468	528	732	(204)
Environmental Management		284	318	21	297
Forestry		(384)	(170)	(277)	107
Parks and Forests		215	147	12	135
Public Transport		549	148	(100)	248
Total rates funded operational surplus / (deficit)		1,132	971	388	583
Corporate					
Strategy & Community Engagement		(25)	227	(34)	261
Finance and Support		157	(99)	(55)	(44)
Other corporate activities		179	(93)	(192)	99
Investment Management		1,410	1,095	1,256	(161)
Business unit rates contribution		(1,163)	(1,092)	(1,092)	-
Total rates funded operating surplus / (deficit)		1,690	1,009	271	738
Water		(97)	(127)	(270)	143
Total rates & levy funded operating surplus / (deficit)		1,593	882	1	881
Non-operational movements					
Revaluation of debt and stadium advance		1	(1)	19	(20)
Revaluation of forestry		-	-	-	-
Forestry cost of goods sold		(207)	(375)	(140)	(235)
Grants for Baring Head Purchase		-	-	-	-
EMU investment - GW Rail		-	-	-	-
Public Transport - improvements		(1,020)	(798)	(1,875)	1,077
Total Council surplus / (deficit)		367	(292)	(1,995)	1,703

5.4 Financial Forecast - Council

Greater Wellington Regional Council		For the year ending 30 June 2011			
Summary income statement		Last Year	Forecast	Budget	Variance
		\$000s	\$000s	\$000s	\$000s
Regional rates		79,089	80,892	80,892	-
Water supply levy		23,460	23,460	23,460	-
Other operating revenue		84,777	80,923	80,923	-
Total operating revenue		187,326	185,275	185,275	-
Operational expenditure		(178,723)	(189,016)	(189,016)	-
Operating surplus/(deficit) before transport improvements		8,603	(3,741)	(3,741)	-
Operating (deficit) from transport improvements		(6,042)	(18,021)	(18,021)	-
Operating surplus/(deficit) before unrealised items		2,561	(21,762)	(21,762)	-
Non-operational movements		1,845	15,911	15,911	-
Operating surplus/(deficit)		4,406	(5,851)	(5,851)	-

Greater Wellington Regional Council Summary income statement	For the year ending 30 June 2011			
	Last Year	Forecast	Budget	Variance
	\$(000)'s	\$(000)'s	\$(000)'s	\$(000)'s
Operational Groups				
Catchment Management	3,337	3,430	3,430	-
Environmental Management	(214)	(352)	(352)	-
Forestry	(992)	(1,662)	(1,662)	-
Parks and Forests	(108)	(413)	(413)	-
Public Transport	755	(1,231)	(1,231)	-
Total rates funded operational surplus / (deficit)	2,778	(228)	(228)	-
Corporate				
Strategy & Community Engagement	1,093	(295)	(295)	-
Finance and Support	982	(487)	(487)	-
Other corporate activities	44	(1,471)	(1,471)	-
Investment Management	11,188	6,971	6,971	-
Business unit rates contribution	(6,980)	(6,550)	(6,550)	-
Total rates funded operating surplus / (deficit)	9,105	(2,060)	(2,060)	-
Water	(502)	(1,681)	(1,681)	-
Total rates & levy funded operating surplus / (deficit)	8,603	(3,741)	(3,741)	-
Non-operational movements				
Revaluation of debt and stadium advance	(5,387)	(307)	(307)	-
Revaluation of forestry	6,010	2,256	2,256	-
Forestry cost of goods sold	(1,125)	(839)	(839)	-
Grants for Baring Head Purchase	1,100	-	-	-
EMU investment - GW Rail	1,247	14,801	14,801	-
Public Transport - improvements	(6,042)	(18,021)	(18,021)	-
Total Council surplus / (deficit)	4,406	(5,851)	(5,851)	-

5.5 Catchment management

Financial Summary	For the two months ended 31 August 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Operating revenue	4,260	4,103	4,275	(172)	25,104	24,680	24,680	-
Operating expenditure	3,792	3,575	3,543	(32)	21,767	21,250	21,250	-
Operating surplus / (deficit)	468	528	732	(204)	3,337	3,430	3,430	-
Net capital expenditure	821	305	89	(216)	10,659	7,916	7,916	-

5.5.1 Year to date

An unfavourable operating variance of \$204,000, comprising lower revenue of \$172,000 and slightly increased operating costs of \$32,000.

- Operating revenue was lower than budget due mainly to:
 - External revenue for Land Management was down \$85,000 on budget due to reduced forestry consultations and the timing of planting programmes.
 - Internal revenue for Catchment was \$29,000 below budget due to the timing of pest animal programmes for Parks and Forests.

- Capital expenditure is \$216,000 ahead of budget primarily due to the timing of the Waiwhetu flood protection work.

5.6 Environmental management

Financial Summary	For the two months ended 31 August 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Operating revenue	2,453	2,422	2,239	183	13,596	13,433	13,433	-
Operating expenditure	2,169	2,104	2,218	114	13,810	13,785	13,785	-
Operating surplus / (deficit)	284	318	21	297	(214)	(352)	(352)	-
Net capital expenditure	103	118	-	(118)	1,259	223	223	-

5.6.1 Year to date

Overall, a favourable operating variance of \$297,000 comprising higher revenue of \$183,000 and lower expenditure of \$114,000.

- Operating revenue is ahead of budget due primarily to:
 - \$101,000 of revenue carried forward from last year in particular fines and bonds
 - Additional funding of \$57,000 for the Wairarapa irrigation projected.
- Capital expenditure was \$118,000 ahead of budget due to Beacon Hill equipment purchases and initial expenditure on the Wairarapa irrigation project.

5.7 Forestry

Financial Summary	For the two months ended 31 August 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Operating revenue	836	1,161	1,076	85	6,373	6,461	6,461	-
Operating expenditure	1,220	1,331	1,353	22	7,365	8,123	8,123	-
Operating surplus / (deficit)	(384)	(170)	(277)	107	(992)	(1,662)	(1,662)	-
Cost of goods sold	207	375	140	(235)	1,125	839	839	-
Operating surplus / (deficit) before valuation	(591)	(545)	(417)	(128)	(2,117)	(2,501)	(2,501)	-
Forestry valuation	-	-	-	-	6,010	2,256	2,256	-
Operating surplus / (deficit)	(591)	(545)	(417)	(128)	3,893	(245)	(245)	-
Net capital expenditure	35	60	56	(4)	184	334	334	-

5.7.1 Year to date

An unfavourable operating variance of \$128,000, comprising increased revenue of \$85,000, lower expenditure of \$22,000 and a higher cost of goods sold adjustment, \$235,000.

- Logging revenue is ahead of budget due to continued higher prices. The accounting adjustment for cost of goods sold reflects the higher valuation of the forestry investment at year end.

5.8 Parks & forests

Financial Summary	For the two months ended 31 August 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Operating revenue	1,076	1,002	1,043	(41)	6,574	6,259	6,259	-
Operating expenditure	861	855	1,031	176	6,682	6,672	6,672	-
Operating surplus / (deficit)	215	147	12	135	(108)	(413)	(413)	-
Grants for Baring Head purchase	-	-	-	-	1,100	-	-	-
Operating surplus / (deficit)	215	147	12	135	992	(413)	(413)	-
Baring Head purchase	-	-	-	-	1,775	-	-	-
Net capital expenditure	(11)	8	27	19	459	367	367	-

5.8.1 Year to date

A favourable operating variance of \$135,000, comprising reduced revenue of \$41,000, lower expenditure of \$176,000.

- Operating revenue and expenditure are behind budget due primarily to:
 - The timing of projects which are expected to be back on track by year end
 - Personnel costs were \$57,000 below budget due to staff vacancies.

5.9 Public transport

Financial Summary	For the two months ended 31 August 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Operating revenue	13,372	13,572	13,931	(359)	83,289	84,786	84,786	-
Operating expenditure	12,823	13,424	14,031	607	82,534	86,017	86,017	-
Operating surplus / (deficit)	549	148	(100)	248	755	(1,231)	(1,231)	-
Net capital expenditure	-	-	-	-	18	200	200	-

5.9.1 Year to date

A favourable operating variance of \$248,000, comprising lower expenditure of \$607,000 which has reduced revenue by \$359,000.

- Operating expenditure was lower than budget due to:
 - Rail operations were \$215,000 under budget due to timing
 - The sustained higher NZ dollar and lower oil prices have resulted in decreased payments to the diesel bus operators of \$362,000.

5.10 Public transport improvement projects

Financial Summary	For the two months ended 31 August 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Operating revenue	13,745	13,972	22,394	(8,422)	78,286	206,348	206,348	-
Operating expenditure	14,765	14,770	24,269	9,499	84,328	224,369	224,369	-
Operating surplus / (deficit)	(1,020)	(798)	(1,875)	1,077	(6,042)	(18,021)	(18,021)	-
External debt revaluation gains /(loss)	-	-	-	-	(1,146)	-	-	-
Operating surplus / (deficit)	(1,020)	(798)	(1,875)	1,077	(7,188)	(18,021)	(18,021)	-
Net capital expenditure	4	10	650	640	2,531	5,911	5,911	-

5.10.1 Year to date

Overall a favourable operating variance of \$1,077,000, comprising lower expenditure of \$9,499,000, which has resulted in lower revenue of \$8,422,000.

- Operating expenditure was lower than budget due to:
 - Expenditure on the Matangi EMU project is \$10,625,000 below budget due to the revision of the expected payment dates for the trains. The project remains on budget with the new trains being delivered in 2010 and 2011.
 - Rail infrastructure projects including station platforms, signalling, Johnsonville stations and McKay's to Waikanae double tracking, are over budget by \$2,194,000 reflecting the timing on the Waikanae double tracking and electrification project.
- Capital expenditure was \$640,000 below budget due to the timing of projects.

5.11 Strategy & Community Engagement

Financial Summary	For the two months ended 31 August 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Operating revenue	1,577	1,592	1,463	129	9,533	9,147	9,147	-
Operating expenditure	1,602	1,365	1,497	132	8,440	9,442	9,442	-
Operating surplus / (deficit)	(25)	227	(34)	261	1,093	(295)	(295)	-
Net capital expenditure	2	6	5	(1)	(17)	410	410	-

5.11.1 Year to date

Overall a favourable operating variance of \$261,000, due mainly to the timing of projects.

5.12 Finance and Support

Financial Summary	For the two months ended 31 August 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Operating revenue	2,173	2,147	2,216	(69)	13,429	13,298	13,298	-
Operating expenditure	2,016	2,246	2,271	25	12,447	13,785	13,785	-
Operating surplus / (deficit)	157	(99)	(55)	(44)	982	(487)	(487)	-
Net capital expenditure	168	101	-	(101)	799	931	931	-

5.12.1 Year to date

An unfavourable operating variance of \$44,000 primarily due to the timing of projects.

5.13 Investment management

Financial Summary	For the two months ended 31 August 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Operating revenue	898	906	698	208	7,785	5,001	5,001	-
Operating expenditure	512	189	558	(369)	(3,403)	(1,970)	(1,970)	-
Operating surplus / (deficit)	1,410	1,095	1,256	(161)	11,188	6,971	6,971	-
Net capital expenditure	1	7	-	(7)	-	160	160	-

5.13.1 Year to date

Operating revenue is \$208,000 ahead of budget due to higher deposits than budgeted. This has been offset by lower internal borrowing which has reduced interest income.

5.14 Water

Financial Summary	For the two months ended 31 August 2010				Full year forecast 30 June 2011			
	Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Operating revenue	4,525	4,608	4,660	(52)	27,708	27,810	27,810	-
Operating expenditure	4,622	4,735	4,930	195	28,210	29,491	29,491	-
Operating surplus / (deficit)	(97)	(127)	(270)	143	(502)	(1,681)	(1,681)	-
Net capital expenditure	381	391	1,620	1,229	6,190	10,070	10,070	-

5.14.1 Year to date

Overall a favourable operating variance of \$143,000 compared to budget, due to:

- Operating revenue was \$52,000 below budget primarily as a result of lower internal revenue of \$69,000, due to less time charged to capital projects.
- Operating expenditure was \$195,000 lower than budget due to:
 - Contractors and consultants being \$192,000 below budget due to timing of projects.
- Capital expenditure was \$1,299,000 below budget due to project timing.

6. Finance costs

For the two months ended 31 August 2010				Full year forecast 30 June 2011			
Last Year	Actual	Budget	Variance	Last Year	Forecast	Budget	Variance
\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
828	1,113	950	(163)	5,159	7,020	7,020	-

6.1 Year to date

The unfavourable variance results from Greater Wellington taking advantage of the lower interest rates to prefund our borrowings.

7. Communication

No communications are necessary at this time.

8. Recommendations

That the Council:

1. *Receives the report.*
2. *Notes the content of the report.*

Report prepared by:

Report approved by:

Chris Gray
Finance Manager

Barry Turfrey
Chief Financial Officer

Attachment 1: Funding Impact Statement

Attachment 2: Balance Sheet